

Message Text

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16

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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O R 271046Z JUN 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC IMMEDIATE 7321

INFO AMEMBASSY MANILA

LIMITED OFFICIAL USE KUALA LUMPUR 3056

EO 11652: N/A

TAGS: ETRN, MY

SUBJ: CIVAIR: US-PHIL NEGOTIATIONS

REF: STATE 137638

1. USDEL BELIEVES MORE SOLID ANALYSIS OF RELATIVE VALUES OF MANILA - HONG KONG FOR US VS MANILA - GUAM FOR GOP REQUIRED IN ORDER REACH REASONABLE DECISION ON PACKAGE.

2. USDEL REVIEW OF ECONOMICS OF THESE CONCESSIONS SUGGESTS THAT PAA WILL LOSE MORE BY GIVING UP AT LEAST 50 PERCENT OF MANILA - GUAM MARKET THAN BY ANY REASONABLY ANTICIPATED PENETRATION OF MANILA-HONG KONG MARKET. FROM GOP SIDE SITUATION IS REVERSED WITH POTENTIAL OF MANILA-GUAM EXCEEDING LOSSES IN MANILA-HONG KONG MARKET. FOR THIS REASON USDEL BELIEVES PRESSURE ON GOP TO TRADE GUAM FOR HONG KONG FOR US NOT CRITICAL SO LONG AS GOP DOES NOT GET GUAM.

3. ON THE OTHER HAND USDEL DOES NOT BELIEVE ONE OR TWO YEAR CAPACITY DEAL IS FAVORABLE AS A SIX YEAR DEAL WHICH TIES UP THE PHILS IN PROCEDURAL UNDERSTANDING FOR FIRST TIME. ACCORDING USDEL BELIEVES BEST
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APPROACH WOULD BE TO PRESS FOR IMPLEMENTATION OF SIX

YEAR CAPACITY DEAL WITH ROUTES TO BE NEGOTIATED LATER. WE UNDERSTAND PAA PREOCCUPATION WITH NEED FOR HONG KONG TO FILL ADDITIONAL CAPACITY BUT DOUBT THAT THERE WOULD BE ANY NET GAIN IF MORE SEATS WERE LOST TO PAL ON THE MANILA-GUAM SECTOR.

4. AS A PASSING COMMENT USDEL DOES NOT BELIEVE GOP HANG UP ON HONG KONG (WHICH IS NOT REASONABLE ON ECONOMIC GROUNDS) IS SUBSTANTIALLY AFFECTED BY LENGTH OF CAPACITY REGIME.

5. AS FOR ALTERNATIVES SUGGESTED REFTTEL USDEL BELIEVES FIRST ALTERNATIVE CLEARLY SUPERIOR TO SECOND. ROUTE POINT SELECTION OPTION CLEARLY DESIRABLE BUT WE TRIED THIS ONE ON PHILDEL WITHOUT SUCCESS. IN USDEL VIEW SECOND ALTERNATIVE NOT DESIRABLE BECAUSE IT PLACES US FIRMLY IN THE ANNUAL PREDETERMINATION GAME.

6. USDEL CONTINUES BELIEVE THAT TIME BEFORE JULY 15 TO WORK OUT DEAL VERY SHORT AND US SHOULD PROPOSE THAT PAL REQUEST EXTENSION INITIATION DATE. IN THIS CONNECTION PRESUME WASHINGTON IS KEEPING IN MIND FACT THAT URGENT US EFFORTS TO RESOLVE PROBLEM MAY GIVE GOP IDEA THAT PRESSURE IS ON US TO FIND SETTLEMENT. FOR THIS REASON GOOD TACTICS MIGHT SUGGEST THAT WE MERELY INDICATE TO GOP OUR WILLINGNESS TO PURSUE NEGOTIATIONS FURTHER IF THEY SO DESIRE BUT CONVEY IMPLICATION THAT CONTINUANCE OF STATUS QUO IS NOT MAJOR PROBLEM FOR US. UNDERHILL

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